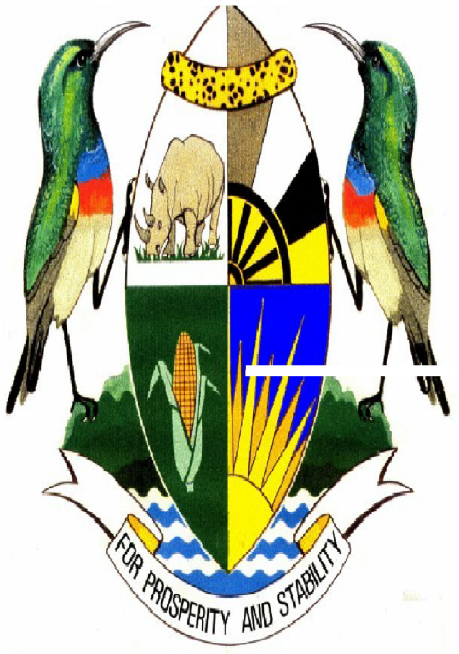


Waterberg
District Municipality

GROUP ANNUAL FINANCIAL STATEMENTS
FINANCIAL STATEMENTS
for the year ended 30 June 2017

GROUP ANNUAL FINANCIAL STATEMENTS

Financial Statements for the year ended 30 June 2017

General Information

Members of Council	
Executive Mayor	S.M. Mataboge
Speaker	K.S Lamola
Chief Whip	M.A. Tsebe
Mayoral Committee member	T.A Mashamaite
Mayoral Committee member	F. Hlungwane
Mayoral Committee member	M.P. Sebatjane
Mayoral Committee member	R.M. Radebe
Mayoral Committee member	K.R.. Mokwena
Mayoral Committee member	M.R. Boloka
MPAC Chairperson	N. S Montane
Councillor	D.E. De Beer
Councillor	M.J. Gumede
Councillor	K. C Khotsa
Councillor	N. Laubscher
Councillor	S.C. Majoko
Councillor	N.S. Monyamane
Councillor	C.C.S. Motsepe
Councillor	S.R. Mphahlele
Councillor	M.B Baloyi
Councillor	CF.Z. Esply
Councillor	B.N. Magongwa
Concillor	R.D. Mampeule
Councillor	B.S. Marema
Councillor	R. Maropeng
Councillor	B. Mocke
Councillor	M.T. Mogale
Councillor	P. Molekwa
Councillor	T.E. Monama
Councillor	R.N. Monene
Councillor	L.K. Satege
Councillor	M.J. Selokela
Councillor	D. Senosha
Councillor	S.C.G. Senosha
Councillor	M.S.Tefu
Councillor	M.S. Thobane
Grading of district municipality	Grade 4
Chief Finance Officer (CFO)	L.G Tloubatla
Accounting Officer	M.A Mampa
Business address	44 Harry Gwala Street Modimolle Limpopo 0510
Postal address	Private Bag X1018 Modimolle Limpopo 0510

General Information

Bankers	ABSA Bank Modimolle
Auditors	Auditor General (SA)
Attorneys	Mohale Incorporated
Contact numbers	(014) 718 3300 (Tel) 086 621 9321 (Fax)

GROUP ANNUAL FINANCIAL STATEMENTS

Financial Statements for the year ended 30 June 2017

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The reports and statements set out below comprise the financial statements presented to the Council:

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Accounting officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the group’s cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

Accounting Officer
M.A Mampa

Statement of Financial Position as at 30 June 2017

		Group		Municipality	
	Note(s)	2017	2016	2017	2016
Assets					
Current Assets					
Cash and cash equivalents	3	97 949 500	136 214 004	94 790 916	136 214 004
Trade and other receivables from exchange transactions	4	10 178	8 256	10 178	8 256
Receivables from non-exchange transactions	5	917 181	776 848	917 181	776 848
Inventories	6	114 336	83 097	114 336	83 097
Held-to-maturity investments	7	36 178 093	30 116 436	36 178 093	30 116 436
VAT receivable	8	869 461	4 140 862	869 344	4 140 862
		136 038 749	**171 339 503**	**132 880 048**	**171 339 503**
Non-Current Assets					
Property, plant and equipment	9	53 365 218	59 120 292	53 365 218	59 120 292
Intangible assets	10	2 027 769	2 224 484	2 027 769	2 224 484
Non-current receivables	11	54 775	54 775	54 775	54 775
		55 447 762	**61 399 551**	**55 447 762**	**61 399 551**
Total Assets		**191 486 511**	**232 739 054**	**188 327 810**	**232 739 054**
Liabilities					
Current Liabilities					
Payables from exchange transactions	12	5 269 004	3 876 481	5 093 736	3 876 481
Other payables from non-exchange transactions	13	9 769 454	8 576 368	9 769 454	8 576 368
Consumer deposits	14	2 000	2 000	2 000	2 000
Provisions	15	-	165 476	-	165 476
Unspent conditional grants and receipts	16	10 688 060	60 206 456	10 030 526	60 206 456
Employee benefit obligation	17	574 486	549 924	574 486	549 924
Current portion of long service awards liability	18	330 256	643 676	330 256	643 676
		26 633 260	**74 020 381**	**25 800 458**	**74 020 381**
Non-Current Liabilities					
Employee benefit obligation	17	22 589 679	22 501 171	22 589 679	22 501 171
Long service awards liability	18	2 758 110	2 219 859	2 758 110	2 219 859
		25 347 789	**24 721 030**	**25 347 789**	**24 721 030**
Total Liabilities		**51 981 049**	**98 741 411**	**51 148 247**	**98 741 411**
Net Assets		**139 505 462**	**133 997 643**	**137 179 563**	**133 997 643**
Accumulated surplus		139 505 462	133 997 643	137 179 563	133 997 643

Statement of Financial Performance

		Group		Municipality	
	Note(s)	2017	2016	2017	2016
Revenue					
Revenue from exchange transactions					
Service charges		915 947	1 255 604	915 947	1 255 604
Interest earned - External investments	19	14 558 988	10 382 263	14 558 987	10 382 263
Interest earned - Receivables	19	88	31 665	88	31 665
Other income	20	140 414	128 651	138 414	128 651
Total revenue from exchange transactions		**15 615 437**	**11 798 183**	**15 613 436**	**11 798 183**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	21	125 360 300	147 813 891	125 360 300	147 813 891
Public contributions and donations	22	-	50 000	-	50 000
Total revenue from non-exchange transactions		**125 360 300**	**147 863 891**	**125 360 300**	**147 863 891**
Total revenue		**140 975 737**	**159 662 074**	**140 973 736**	**159 662 074**
Expenditure					
Employee related costs	23	(73 130 338)	(64 616 463)	(72 955 070)	(64 616 463)
Remuneration of councillors	24	(6 768 848)	(6 717 206)	(6 768 848)	(6 717 206)
Post-retirement health care expenditure		(744 742)	(1 931 653)	(744 742)	(1 931 653)
Long-service award expenditure		(950 230)	(568 768)	(950 230)	(568 768)
Depreciation and amortisation	25	(6 197 671)	(6 010 996)	(6 197 671)	(6 010 996)
Impairment loss/ Reversal of impairments	26	-	(164 918)	-	(164 918)
Repairs and maintenance		(2 308 454)	(1 442 300)	(2 308 454)	(1 442 300)
Contracted services	27	(13 520 885)	(15 703 090)	(13 520 885)	(15 703 090)
Project expenditure	28	(13 444 574)	(36 119 517)	(15 944 574)	(36 119 517)
General Expenses	29	(18 388 244)	(18 603 884)	(18 387 410)	(18 603 884)
Total expenditure		**(135 453 986)**	**(151 878 795)**	**(137 777 884)**	**(151 878 795)**
Loss on disposal of assets		(13 940)	-	(13 940)	-
Surplus for the year		**5 507 811**	**7 783 279**	**3 181 912**	**7 783 279**

The accounting policies on pages 11 to 25 and the notes on pages 25 to 60 form an integral part of the financial statements.

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Group		
Balance at 01 July 2015	**126 214 364**	**126 214 364**
Changes in net assets		
Surplus for the year	7 783 279	7 783 279
Total changes	7 783 279	7 783 279
Balance at 01 July 2016	**133 997 651**	**133 997 651**
Changes in net assets		
Surplus for the year	5 507 811	5 507 811
Total changes	5 507 811	5 507 811
Balance at 30 June 2017	**139 505 462**	**139 505 462**
Note(s)		
Municipality		
Balance at 01 July 2015	**126 214 364**	**126 214 364**
Net Surplus / (Deficit) for the year	7 783 279	7 783 279
Net Surplus (Deficit) for the year	7 783 279	7 783 279
Balance at 01 July 2016	**133 997 651**	**133 997 651**
Net Surplus / (Deficit) for the year	3 181 912	3 181 912
Balance at 30 June 2017	**137 179 563**	**137 179 563**

Cash Flow Statement

	Note(s)	Group 2017	Group 2016	Municipality 2017	Municipality 2016
Cash flows from operating activities					
Receipts					
Sale of goods and services		909 285	1 262 267	909 285	1 262 267
Grants		149 545 134	210 214 349	146 387 600	210 214 349
Interest income - Investments		14 558 988	10 382 263	14 558 987	10 382 263
Interest income - receivables		88	31 665	88	31 665
Other receipts		142 496	178 650	140 496	178 650
VAT receipts		9 585 409	2 451 432	9 585 409	2 451 432
		174 741 400	224 520 626	171 581 865	224 520 626
Payments					
Employee costs		(79 899 186)	(71 333 669)	(79 723 918)	(71 333 669)
Suppliers		(8 077 705)	(20 046 184)	(8 252 973)	(20 046 184)
Other payments for VAT		(12 465 147)	(6 595 053)	(12 465 030)	(6 595 053)
Project expenditure		(16 021 153)	(33 621 444)	(16 021 153)	(33 621 444)
Thabazimbi project expenditure		(76 203 230)	(20 341 451)	(76 203 230)	(20 341 451)
Contracted services		(13 520 885)	(15 703 090)	(13 520 885)	(15 703 090)
Other payments		(497 127)	(789 549)	(496 293)	(789 549)
		(206 684 433)	(168 430 440)	(206 683 482)	(168 430 440)
Net cash flows from operating activities	31	**(31 943 033)**	**56 090 186**	**(35 101 617)**	**56 090 186**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(253 689)	(3 705 972)	(253 689)	(3 705 972)
Purchase of other intangible assets	10	(6 131)	(288 946)	(6 131)	(288 946)
Net cash flows from investing activities		**(259 820)**	**(3 994 918)**	**(259 820)**	**(3 994 918)**
Cash flows from financing activities					
Decrease/(Increase) in Held-to-maturity investments		(6 061 657)	1 059 654	(6 061 657)	1 059 654
Net cash flows from financing activities		**(6 061 657)**	**1 059 654**	**(6 061 657)**	**1 059 654**
Net increase/(decrease) in cash and cash equivalents		**(38 264 510)**	**53 154 922**	**(41 423 094)**	**53 154 922**
Cash and cash equivalents at the beginning of the year		136 214 004	83 059 082	136 214 004	83 059 082
Cash and cash equivalents at the end of the year	3	**97 949 494**	**136 214 004**	**94 790 910**	**136 214 004**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Municipality						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Services charges	1 847 900	-	**1 847 900**	915 947	**(931 953)**	
Other income	4 380 000	-	**4 380 000**	138 414	**(4 241 586)**	
Interest earned - Investments	8 677 000	-	**8 677 000**	14 558 987	**5 881 987**	
Interest earned - Other	-	-	**-**	88	**88**	
Total revenue from exchange transactions	**14 904 900**	**-**	**14 904 900**	**15 613 436**	**708 536**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	121 716 000	28 714 000	**150 430 000**	125 360 300	**(25 069 700)**	
Total revenue	**136 620 900**	**28 714 000**	**165 334 900**	**140 973 736**	**(24 361 164)**	
Expenditure						
Employee related costs	(85 146 574)	1 075 000	**(84 071 574)**	(72 955 070)	**11 116 504**	
Remuneration of councillors	(7 358 900)	-	**(7 358 900)**	(6 768 848)	**590 052**	
Post-retirement health care expenditure	(4 251 379)	-	**(4 251 379)**	(744 742)	**3 506 637**	
Depreciation and amortisation	(8 691 000)	-	**(8 691 000)**	(6 197 671)	**2 493 329**	
Repairs and maintenance	(2 196 255)	(586 000)	**(2 782 255)**	(2 308 454)	**473 801**	
Long-service award expenditure	(685 585)	685 585	**-**	(950 230)	**(950 230)**	
Contracted Services	(15 954 000)	750 000	**(15 204 000)**	(13 520 885)	**1 683 115**	
Transfers and Subsidies	(10 844 000)	(31 147 000)	**(41 991 000)**	(15 944 574)	**26 046 426**	
General Expenses	(20 705 658)	(1 924 970)	**(22 630 628)**	(18 387 410)	**4 243 218**	
Total expenditure	**(155 833 351)**	**(31 147 385)**	**(186 980 736)**	**(137 777 884)**	**49 202 852**	
Operating surplus	**(19 212 451)**	**(2 433 385)**	**(21 645 836)**	**3 195 852**	**24 841 688**	
Loss on disposal of assets and liabilities	-	-	**-**	(13 940)	**(13 940)**	
Surplus before taxation	**(19 212 451)**	**(2 433 385)**	**(21 645 836)**	**3 181 912**	**24 827 748**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(19 212 451)**	**(2 433 385)**	**(21 645 836)**	**3 181 912**	**24 827 748**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	105 900	-	**105 900**	114 336	**8 436**	
Held-to-maturity investments	58 894 819	-	**58 894 819**	36 178 093	**(22 716 726)**	
Receivables from non-exchange transactions	816 405	-	**816 405**	917 181	**100 776**	
VAT receivable	1 080 604	-	**1 080 604**	869 344	**(211 260)**	
Consumer debtors	30 000	-	**30 000**	10 178	**(19 822)**	
Cash and cash equivalents	5 005 200	-	**5 005 200**	94 790 916	**89 785 716**	
	65 932 928	**-**	**65 932 928**	**132 880 048**	**66 947 120**	
Non-Current Assets						
Property, plant and equipment	47 592 375	-	**47 592 375**	53 365 218	**5 772 843**	
Intangible assets	1 517 216	-	**1 517 216**	2 027 769	**510 553**	
Non-current receivables	54 775	-	**54 775**	54 775	**-**	
	49 164 366	**-**	**49 164 366**	**55 447 762**	**6 283 396**	
Total Assets	**115 097 294**	**-**	**115 097 294**	**188 327 810**	**73 230 516**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	**-**	5 093 731	**5 093 731**	
Taxes and transfers payable (non-exchange)	12 770 408	-	**12 770 408**	9 769 454	**(3 000 954)**	
Consumer deposits	1 550	-	**1 550**	2 000	**450**	
Employee benefit obligation	560 089	-	**560 089**	574 486	**14 397**	
Unspent conditional grants and receipts	11 276 472	-	**11 276 472**	10 030 526	**(1 245 946)**	
Current portion of long service awards liability	334 770	-	**334 770**	330 256	**(4 514)**	
	24 943 289	**-**	**24 943 289**	**25 800 453**	**857 164**	
Non-Current Liabilities						
Employee benefit obligation	20 892 946	-	**20 892 946**	22 589 679	**1 696 733**	
Long service awards liability	3 520 016	-	**3 520 016**	2 758 110	**(761 906)**	
	24 412 962	**-**	**24 412 962**	**25 347 789**	**934 827**	
Total Liabilities	**49 356 251**	**-**	**49 356 251**	**51 148 242**	**1 791 991**	
Net Assets	**65 741 043**	**-**	**65 741 043**	**137 179 568**	**71 438 525**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	65 741 043	-	**65 741 043**	137 179 568	**71 438 525**	

Accounting Policies

1. Presentation of Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, unless explicitly stated.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the group.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the group will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

Allowance for doubtful debts

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up. The municipality has no assets of cultural, environmental or historical significance and therefore no heritage assets.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on cost minus the residual value, using the straight line basis over their expected useful lives to their estimated residual value. Land, heritage assets and artwork are not depreciated as it is deemed to have an indefinite useful life.

Subsequent to initial recognition, items of Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is capitalised when it increases the capacity of future economic benefits associated with the asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings and facilities	Straight line	10 to 60
Plant and equipment	Straight line	5 to 25
Furniture and fixtures	Straight line	5 to 37
Motor vehicles	Straight line	3 to 15
Office equipment	Straight line	4 to 36
IT equipment	Straight line	4 to 10
Emergency equipment	Straight line	5 to 10
Specialised vehicles	Straight line	5 to 16

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the group or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the group; and
- the cost or fair value of the asset can be measured reliably.

The group assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.
Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	4 to 40 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities at fair value through surplus or deficit - held for trading

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the group assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Loans to shareholders, directors, managers and employees

1.6 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Amounts that are payable within 12 months from the reporting date are classified as current. The carrying amount of trade and other payables is a reasonable approximation of fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

The credit risk disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity, these include investments held as fixed deposits and short term deposits invested in registered commercial banks.

Impairment of financial assets

The group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognised in surplus or deficit.

Accounting Policies

1.7 Statutory receivables

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

Finance leases - lessor

The group recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease. The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the group’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The average payments over the period of the lease are expensed and any difference between the average and actual payment is disclosed as a debtor or creditor in the Statement of Financial Position.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the effect of item 1 & 2 above on accumulated surplus.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Accounting Policies

1.9 Inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the group incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the group.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the group; or
(b) the number of production or similar units expected to be obtained from the asset by the group.

Criteria developed by the group to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the group; or
(b) the number of production or similar units expected to be obtained from the asset by the group.

Criteria developed by the group to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

1.12 Employee benefits

Short-term employee benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefits, bonuses and annual leave obliged to be settled within 12 months of the reporting date, are recognized in other payables or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable.

The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognized in the non-current liability for employee benefits and measured as the present value of expected future payment to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.12 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The group provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The cost of providing health care is charged to the income statement so as to recognize current and past service costs, interest cost on defined benefit obligations, and the effect of any curtailments of settlements, net of expected returns on plan assets. Actuarial gains and losses are recognized in full directly in the statement of financial performance. Additional benefits are expensed as past service cost in the period in which the benefit is granted to the extent that it is not covered by a surplus to contributions funded by the municipality. The municipality has no plan assets. A liability is consequently recognized in the statement of financial position based on the present value of defined benefit obligations, less any unrecognized past service costs.

1.13 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

1.13 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. 37.

1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, on a time proportion basis in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.16 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met, to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the the effect of item 1 & 2 above on accumulated surplus in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the the effect of item 1 & 2 above on accumulated surplus.

The recovery of unauthorized expenditure is based on legislated procedures, and is recognized when the recovery thereof from the responsible officials is probable. The recovery of unauthorized expenditure is treated as other income.

Accounting Policies

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the the effect of item 1 & 2 above on accumulated surplus in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the the effect of item 1 & 2 above on accumulated surplus.

The recovery of fruitless and wasteful expenditure is based on legislated procedures, and is recognized when the recovery thereof from the responsible officials is probable. The recovery of fruitless and wasteful expenditure is treated as other income.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the The effect of Item 1 & 2 above on Accumulated surplus and where recovered, it is subsequently accounted for as revenue in the The effect of Item 1 & 2 above on Accumulated surplus.

The recovery of irregular expenditure is based on legislated procedures, and is recognized when the recovery thereof from the responsible officials is probable. The recovery of irregular expenditure is treated as other income.

1.21 Budget information

Group are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.22 Related parties

The group operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the group, including those charged with the governance of the group in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the group.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

Accounting Policies

1.23 Events after reporting date (continued)

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The group will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The group will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the privious year, the group had adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions. In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 financial statements.

The impact of the standard is not material.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions. In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 financial statements.

The impact of the standard is not material.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity. In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 financial statements.

The impact of the standard is not material.

IGRAP 11: Consolidation - Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post -employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of the interpretation is for years beginning on or after 01 April 2015.

The municipality has adopted the interpretation for the first time in the 2016 financial statements.

The impact of the interpretation is not material.

IGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures.

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:
- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of the interpretation is for years beginning on or after 01 April 2015.

The municipality has adopted the interpretation for the first time in the 2016 financial statements.

The impact of the interpretation is not material.

GRAP 6 (approved 2015): Consolidated and Seperate Financial Statements.

The definition of 'minority interest' has been amended to 'non- controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

GRAP 7 (approved 2012): Investments in Associates

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

GRAP 8 (as revised 2015): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

The effective date of the amendment is for years beginning on or after 01 April 2015.

The municipality has adopted the amendment for the first time in the 2016 financial statements.

The impact of the amendment is not material.

Directive 11: Changes in Measurement Bases following the Initial Adoption of Standards of GRAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once- off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the directive is for years beginning on or after 01 April 2015.

The municipality has adopted the directive for the first time in the 2016 financial statements.

The impact of the directive is not material.

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

identifying related party relationships and transactions;
identifying outstanding balances, including commitments, between an entity and its related parties;
identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

A person or a close member of that person's family is related to the reporting entity if that person:
- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the management of the entity or its controlling entity.

An entity is related to the reporting entity if any of the following conditions apply:?
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a); and
- a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
Close member of the family of a person;
Management;
Related parties;
Remuneration; and
Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
Control;
Related party transactions; and
Remuneration of management

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard

The expected impact of the standard is that it will not be applicable and is expected to have no impact on the municipality’s financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The expected impact of the standard is that it will not be applicable and is expected to have no impact on the municipality's financial statements.

GRAP 16 (as amended 2015): Investment Property

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements

Various amendments were made to the Standard, affecting Definitions, Identification, Disclosure, Effective date and Transitional provisions.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

The expected impact of the standard is that it will not be applicable and is expected to have no impact on the municipality's financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 109: Accounting by Principals and Agents

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal- agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
assessing the feasibility of one measurement approach for non-cash-generating assets; and
assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset’s service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset’s service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
assessing the feasibility of one measurement approach for non-cash-generating assets; and
assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. “Generally accepted accounting practice” has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The municipality expects to adopt the standard for the first time in the 2019 financial statements.

The expected impact of the standard is that it will not be applicable and is expected to have no impact on the municipality’s financial statements.

	Group		Municipality	
	2017	2016	2017	2016

2. New standards and interpretations (continued)

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 200	5 200	5 200	5 200
Bank balances	9 388 568	5 825 786	6 229 984	5 825 786
Short-term deposits	88 555 732	130 383 018	88 555 732	130 383 018
	97 949 500	**136 214 004**	**94 790 916**	**136 214 004**

A portion of cash represents restricted cash as it serves as security for unspent conditional grants.

Short-term deposits

Call deposits	8 096 651	26 054 159	8 096 651	26 054 159
60 Days fixed deposits	21 102 608	10 049 315	21 102 608	10 049 315
90 Days fixed deposits	59 356 473	94 279 544	59 356 473	94 279 544
	88 555 732	130 383 018	88 555 732	130 383 018

The municipality had the following bank accounts

Account description	**Account number**	**Bank statement balances**		**Cash book balances**	
		30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**
ABSA Bank - Current Account	4086264236	6 229 984	6 748 761	6 229 984	5 721 886
ABSA BANK - Call Account	9309035608	-	26 000 000	-	26 054 159
ABSA BANK - 90 Days Investment	2075918917	-	10 000 000	-	10 016 482
ABSA BANK - 6 Months Investment	20775927095	-	10 000 000	-	10 004 449
ABSA BANK - 6 Months Investment	2075332567	10 000 000	10 000 000	10 033 534	10 045 740
NEDBANK - 60 Days Investment	03/7497671214/000184	-	10 000 000	-	10 049 315
NEDBANK - 90 Days Investment	03/7497571214/000186	-	6 000 000	-	6 022 488
NEDBANK - 90 Days Investment	03/7497571214/000172	-	11 000 000	-	11 048 099
STANDARD BANK - 90 Days nvestment	728855100-006	-	10 000 000	-	10 002 082
STANDARD BANK - 90 Days Investment	728855100-007	-	10 000 000	-	10 062 712
STANDARD BANK - 90 Days Investment	728855100-008	-	7 000 000	-	7 010 377
INVESTEC - 90 Days Investment	1400198080451	-	10 000 000	-	10 004 126
INVESTEC - 90 Days Investment	1400198080451	-	10 000 000	-	10 062 877
INVESTEC - 90 Days Investment	1400198080451	-	10 000 000	-	10 035 630
INVESTEC - 90 Days Investment	1400198080451	15 000 000	10 000 000	15 095 795	10 014 671
INVESTEC - 6 Months Investment	1400198080451	13 000 000	10 000 000	13 089 753	10 066 247
ABSA BANK - 60 Days Investment	2076733640	13 000 000	-	13 032 244	-
ABSA BANK - 90 Days Investment	2076504028	10 000 000	-	10 052 945	-
ABSA BANK - 63 Days Investment	2074953447	-	-	-	-
ABSA BANK - Call Account	4089054729	8 000 000	-	8 096 651	-
ABSA BANK - current account	4090669260	3 158 583	-	3 158 584	-
NEDBANK - 60 Days Investment	03/7497571214/000205	11 000 000	-	11 069 074	-
NEDBANK - 92 Days Investment	03/7497571214/000206	11 000 000	-	11 070 068	-
NEDBANK - 91 Days Investment	03/7497571214/000207	13 000 000	-	13 082 808	-
NEDBANK - 6 months Investment	03/7497571214/000208	10 000 000	-	10 056 096	-
STANDARD BANK 90 Days Investment	728855100-021	10 000 000	-	10 054 856	-
Total	**Total**	**133 388 567**	**166 748 761**	**134 122 392**	**166 221 340**

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016
4. Other receivables from exchange transactions				
Gross balances				
Abattoir	6 662	8 256	6 662	8 256
Other receivables - councillor salaries	3 516	3 516	3 516	3 516
	10 178	**11 772**	**10 178**	**11 772**
Less: Allowance for impairment				
Other receivables - councillor salaries	-	(3 516)	-	(3 516)
Net balance				
Abattoir	6 662	8 256	6 662	8 256
Other receivables - councillor salaries	3 516	-	3 516	-
	10 178	**8 256**	**10 178**	**8 256**
Abattoir:				
Current (0 -30 days)	6 662	8 256	6 662	8 256
Councillor salaries:				
> 365 days	-	3 156	-	3 516
Summary of debtors by customer classification				
Consumers and other receivables				
Current (0 -30 days)	6 662	8 256	6 662	8 256
> 365 days	-	3 516	-	3 516
	6 662	11 772	6 662	11 772
Less: Allowance for impairment	-	(3 516)	-	(3 516)
	6 662	**8 256**	**6 662**	**8 256**
Total				
Current (0 -30 days)	6 662	8 256	6 662	8 256
> 365 days	-	3 516	-	3 516
	6 662	11 772	6 662	11 772
Less: Allowance for impairment	-	(3 516)	-	(3 516)
	6 662	**8 256**	**6 662**	**8 256**
Reconciliation of allowance for impairment				
Balance at beginning of the year	-	3 516	-	3 516
Contributions to allowance	-	-	-	-
Reversal of allowance	-	-	-	-
	-	**3 516**	**-**	**3 516**

Other receivables pledged as security

No other receivables were pledged as security.

5. Receivables from non-exchange transactions				
Prepayments	914 268	759 797	914 268	759 797
Sundry debtors	2 913	17 051	2 913	17 051
	917 181	**776 848**	**917 181**	**776 848**

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

6. Inventories

Consumable stores	114 336	83 097	114 336	83 097
Inventories write-downs / (reversal of write-down)	-	-	-	-
	114 336	**83 097**	**114 336**	**83 097**

Consumables:

Opening balance	83 097	117 835	83 097	117 835
Additions	989 014	746 411	989 014	746 411
Issued (expensed)	(957 775)	(781 150)	(957 775)	(781 150)
Closing balance	114 336	83 097	114 336	83 097

Inventory consists of stationery, fire fighting foam and grass beaters. No inventory is pledged as security. No circumstances or events existed that would have led to the write-down or the reversal of a write-down of inventories.

7. Held-to-maturity investments

Designated at fair value				
Held-to-maturity investments	36 178 093	30 116 436	36 178 093	30 116 436
Terms and conditions				
Current assets				
Designated at fair value	36 178 093	30 116 436	36 178 093	30 116 436

8. VAT

VAT receivable	869 461	4 140 862	869 344	4 140 862

VAT is accounted for on the payment basis.

9. Property, plant and equipment

Group	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	39 563 085	(9 615 441)	29 947 644	39 563 085	(9 520 883)	30 042 202
Other property, plant and equipment # 4	52 249 119	(28 831 545)	23 417 574	52 050 578	(22 972 488)	29 078 090
Total	**91 812 204**	**(38 446 986)**	**53 365 218**	**91 613 663**	**(32 493 371)**	**59 120 292**

	Group		Municipality	
	2017	2016	2017	2016

9. Property, plant and equipment (continued)

Municipality	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	39 563 085	(9 615 441)	29 947 644	39 563 085	(9 520 883)	30 042 202
Other property, plant and equipment	52 249 119	(28 831 545)	23 417 574	52 050 578	(22 972 488)	29 078 090
Total	**91 812 204**	**(38 446 986)**	**53 365 218**	**91 613 663**	**(32 493 371)**	**59 120 292**

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Buildings	30 042 202	-	-	(94 558)	29 947 644
Other property, plant and equipment # 4	29 078 090	253 689	(13 940)	(5 900 265)	23 417 574
	59 120 292	**253 689**	**(13 940)**	**(5 994 823)**	**53 365 218**

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	**Additions**	**Depreciation**	**Total**
Buildings	30 682 561	436 906	(1 077 265)	30 042 202
Other property, plant and equipment # 4	30 555 312	3 269 066	(4 746 288)	29 078 090
	61 237 873	**3 705 972**	**(5 823 553)**	**59 120 292**

Reconciliation of property, plant and equipment - Municipality - 2017

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land and Buildings	30 042 202	-	-	(94 558)	29 947 644
Other property, plant and equipment	29 078 090	253 689	(13 940)	(5 900 265)	23 417 574
	59 120 292	**253 689**	**(13 940)**	**(5 994 823)**	**53 365 218**

Reconciliation of property, plant and equipment - Municipality - 2016

	Opening balance	**Additions**	**Depreciation**	**Total**
Buildings	30 682 561	436 906	(1 077 265)	30 042 202
Other property, plant and equipment # 4	30 555 312	3 269 066	(4 746 288)	29 078 090
	61 237 873	**3 705 972**	**(5 823 553)**	**59 120 292**

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets at the begining of the 2016/17 financial year. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets, were found.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

10. Intangible assets

Group	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	3 804 402	(1 776 633)	2 027 769	3 798 271	(1 573 787)	2 224 484

Municipality	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	3 804 402	(1 776 633)	2 027 769	3 798 271	(1 573 787)	2 224 484

Reconciliation of intangible assets - Group - 2017

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	2 224 484	6 131	(202 846)	2 027 769

Reconciliation of intangible assets - Group - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	2 122 980	288 946	(187 442)	2 224 484

Reconciliation of intangible assets - Municipality - 2017

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	2 224 484	6 131	(202 846)	2 027 769

Reconciliation of intangible assets - Municipality - 2016

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	2 122 980	288 946	(187 442)	2 224 484

Pledged as security

The municipality reviewed the residual values and estimated useful lives of its assets at the begining of the 2016/17 financial year. The municipality also assessed if there is any indication that an asset needs to be impaired. No indicators of impairment of assets, except for the assets listed in the note below, were found.

11. Non-current receivables

Heading		
Water and electricity	2 025	2 025
Office rentals	32 750	32 750
Telephone	20 000	20 000

	Group		Municipality	
	2017	2016	2017	2016

11. Non-current receivables (continued)

			54 775	**54 775**

Deposit water and electricity

These are deposits paid for water and electricity services, rental of office space in Mokopane and Thabazimbi for environmental health officials and VOIP telephone.

12. Payables from exchange transactions

Trade payables	4 859 772	3 573 140	4 859 772	3 573 140
Retentions	233 964	303 341	233 964	303 341
Accruals	175 268	-	-	-
	5 269 004	**3 876 481**	**5 093 736**	**3 876 481**

13. Other payables from non-exchange transactions

Other creditors	-	3 091	-	3 091
Accruals for leave	8 229 636	7 335 706	8 229 636	7 335 706
Accruals for bonuses	1 539 818	1 237 571	1 539 818	1 237 571
	9 769 454	**8 576 368**	**9 769 454**	**8 576 368**

The fair value of other payables approximates their carrying amounts.

14. Consumer deposits

Abattoir	2 000	2 000	2 000	2 000
Guarantees held in lieu of abattoir deposits			12 000	12 000

	Group		Municipality	
	2017	2016	2017	2016

15. Provisions

Reconciliation of provisions - Municipality - 2017

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	165 476	-	(165 476)	-

Reconciliation of provisions - Municipality - 2016

	Opening Balance	Total
Performance bonus	165 476	165 476

Performance bonus

Performance bonuses are paid one year in arrears when the municipality has a present obligation as a result of a past event which is the services rendered and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. The bonus has been calculated based on the assessment of eligible employees at the reporting date.

The assumptions and basis of calculation was done in terms of the requirements of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Manager, 2006. Provision for Performance bonuses are calculated as per the performance agreements and brackets indicated in Section 32(2) the above Performance Regulations. The maximum exposure was calculated based on the final score of each individual manager at year end and in which those scores fall.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Conditional Grants from other spheres of Government				
Municipal Systems Improvement Grant	657 534	-	-	-
Municipal Infrastructure Grant	7 061 138	54 837 725	7 061 138	54 837 725
Municipal Water Infrastructure Grant	2 564 661	5 122 026	2 564 661	5 122 026
EPWP Incentive Grant	158 022	-	158 022	-
LEDET Grant	200 045	200 045	200 045	200 045
Other conditional grants				
Tourism Grant	46 660	46 660	46 660	46 660
	10 688 060	**60 206 456**	**10 030 526**	**60 206 456**

See note 21 for reconciliation of grants from National/Provincial Government.

Included in unspend grant is the balance of R6 241 308.33 of MIG funding of R28 714 000 received for the Thabazimbi project and of which R22 472 691.67 were spent.

These amounts are invested in short-term investment until utilised.

	Group		Municipality	
	2017	2016	2017	2016

17. Employee benefit obligations

Defined benefit plan

The municipality contributes to a number of defined contribution schemes for pension of all permanent employees and councillors. The funds are governed by the Pension Funds Act of 1956.

The following are defined contribution plans:
- National Fund for Municipal Workers
- Municipal Gratuity Fund
- Municipal Employee Fund
- Joint Municipal Pension Fund
- Municipal Councillors Pension Fund

The municipality also provides certain post-retirement medical benefits to qualifying pensioners. All post-retirement medical benefits are unfunded.

The following are defined benefit plans:
- LA Health
- SAMWU Med
- Bonitas Medical Fund
- Key Health Medical Scheme
- Hosmed

In accordance with prevailing legislation, the defined benefit funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed as at 30 June 2016.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to continue to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

	Group		Municipality	
	2017	2016	2017	2016

17. Employee benefit obligations (continued)

Movement in the employee healthcare benefit liability:

	Group		Municipality	
Present value				
Liability as at 1 July	(23 051 094)	(21 728 016)	(23 051 094)	(21 728 016)
Benefits paid	632 004	608 576	632 004	608 576
Current service cost	(1 282 543)	(1 274 049)	(1 282 543)	(1 274 049)
Interest	(2 145 625)	(1 945 451)	(2 145 625)	(1 945 451)
Actuarial losses / (gains) recognised in Statement of Financial Performance	2 683 093	1 287 845	2 683 093	1 287 846
Unfunded accrued liability as at 30 June	**(23 164 165)**	**(23 051 095)**	**(23 164 165)**	**(23 051 095)**
Non-current liabilities	(22 589 679)	(22 501 171)	(22 589 679)	(22 501 171)
Current liabilities	(574 486)	(549 924)	(574 486)	(549 924)
	(23 164 165)	**(23 051 095)**	**(23 164 165)**	**(23 051 095)**
The liability as at 30 June consists of:				
In-service (employee) members	(15 321 819)	(14 464 891)	(15 321 819)	(14 464 891)
Continuation members	(7 116 195)	(7 894 406)	(7 116 195)	(7 894 406)
In-service (employee) non-members	(726 152)	(691 797)	(726 152)	(691 797)
	(23 164 166)	(23 051 094)	(23 164 166)	(23 051 094)

Net expense recognised in the the effect of item 1 & 2 above on accumulated surplus

Current service cost	1 282 543	1 274 049	1 282 543	1 274 049
Interest cost	2 145 625	1 945 451	2 145 625	1 945 451
Actuarial (gains) losses	(2 683 092)	1 287 846	(2 683 092)	(1 287 846)
	745 076	**4 507 346**	**745 076**	**1 931 654**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,83 %	9,42 %	9,83 %	9,42 %
Medical cost trend rates	8,12 %	8,47 %	8,12 %	8,47 %

Average remaining future working lifetime 16.2 years

	Group		Municipality	
	2017	2016	2017	2016

17. Employee benefit obligations (continued)

Defined benefit obligation

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point increase**	**One percentage point increase**	**One percentage point increase**
2017: Effect on the aggregate of the health care inflation	(11)	8	(11)	8
2017: Effect on discount rate	12	(10)	12	(10)
2016: Effect on the aggregate of the health care inflation	(16)	19	16	19
2016: Effect on discount rate	13	(10)	(13)	(10)

Amounts for the current and previous four years are as follows:

	2017	**2016**	**2015**	**2014**	**2013**
	R	**R**	**R**	**R**	**R**
Defined benefit obligation	23 164 165	23 051 093	21 728 016	17 523 330	13 793 670

18. Long service awards liability

The municipality provides long-service awards to its permanent employees.

The benefit of long-service award is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the provision is actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest actuarial valuation was performed as at 30 June 2017.

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 as follows:

	Group		Municipality	
	2017	2016	2017	2016

18. Long service awards liability (continued)

Movement in the long-service award liability:				
Liability as at 1 July	2 863 535	2 520 499	2 863 535	2 520 499
Benefits paid	(595 689)	(225 730)	(595 689)	(225 730)
Current service cost	293 583	295 011	293 583	295 011
Interest	215 393	190 707	215 393	190 707
Actuarial losses / (gains) recognised in Statement of Financial Performance	311 544	83 048	311 544	83 048
Unfunded accrued liability as at 30 June	**3 088 366**	**2 863 535**	**3 088 366**	**2 863 535**
Current portion of liability as at 30 June	330 256	634 676	330 256	643 676
Non-current portion of liability as at 30 June	2 758 110	2 219 859	2 758 110	2 219 859
	3 088 366	**2 854 535**	**3 088 366**	**2 863 535**
Expense recognised in (profit) or loss:				
Current service cost	293 583	295 011	293 583	295 011
Interest cost	215 393	190 707	215 393	190 707
Actuarial losses / (gains	311 544	83 048	311 544	83 048
	820 520	**568 766**	**820 520**	**568 766**

Principal actuarial assumptions of valuation model used:

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,45 %	8,45 %	8,43 %	8,45 %
Medical cost trend rates	6,25 %	7,12 %	6,25 %	7,12 %

Assumed general salary inflation rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed general inflation rates would have the following effects:

	One percentage point decrease	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**
2017: Effect on the aggregate of the general salary inflation rate	(7)	7	(7)	7
2017: Effect on discount rate	2	(2)	2	(2)
2016: Effect on the aggregate of the general salary inflation	(7)	8	(7)	8
2016: Effect on discount rate	2	(2)	2	(2)

Amounts for the current and previous four years are as follows:

	2017 R	**2016 R**	**2015 R**	**2014 R**	**2013 R**
Defined benefit obligation	3 088 366	2 863 535	2 520 499	2 128 093	1 669 115

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016
19. Interest earned				
Outstanding receivables				
Abattoir services	88	202	88	202
South African Revenue Services - Interest on VAT receivable	-	31 463	-	31 463
	88	**31 665**	**88**	**31 665**
External investments				
Bank	533 356	458 840	533 356	458 840
Short-term investments	14 025 632	9 923 423	14 025 631	9 923 423
	14 558 988	**10 382 263**	**14 558 987**	**10 382 263**
	14 559 076	**10 413 928**	**14 559 075**	**10 413 928**
20. Other income				
Fire income	61 180	60 324	61 180	60 324
Miscellaneous income	55 655	6 523	55 655	6 523
Recoveries	-	4 961	-	4 961
Tender document fees	21 579	56 843	21 579	56 843
Sundry income	2 000	-	-	-
	140 414	**128 651**	**138 414**	**128 651**

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

21. Government grants and subsidies

Operating grants				
Equitable share	113 277 000	111 232 000	113 277 000	111 232 000
LG SETA Grant	147 600	-	147 600	-
Municipal Infrastructure Grant (PMU)	-	5 000 000	-	5 000 000
Rural Road Asset Management Grant	1 897 000	1 839 000	1 897 000	1 839 000
MWIG	7 844 722	-	7 844 722	-
Government grant (operating) 6	943 978	1 000 000	943 978	1 000 000
LEDET Biosphere Grant	-	151 622	-	151 622
Municipal Systems Improvement Grant	-	940 000	-	940 000
Finance Management Grant	1 250 000	1 250 000	1 250 000	1 250 000
Mayor's Golf Day Grant	-	45 550	-	45 550
Tourism Grant	-	243 340	-	243 340
	125 360 300	121 701 512	125 360 300	121 701 512
Capital grants				
Municipal Infrastructure Grant	-	12 006 824	-	12 006 824
Municipal Water Infrastructure Grant	-	14 105 555	-	14 105 555
	-	26 112 379	-	26 112 379
	125 360 300	**147 813 891**	**125 360 300**	**147 813 891**

Equitable Share

The equitable share is an unconditional grant and is utilised to fund disaster management services, environmental health services, projects and operating expenditure.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	93 449	-	93 449
Current-year receipts	-	940 000	-	940 000
Conditions met - transferred to revenue	-	(940 000)	-	(940 000)
Prior year roll over paid back to National Treasury	-	(93 449)	-	(93 449)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 16).

The grant is utilised for the implementation of new legislation, skills development and the GRAP compliance of the fixed asset register.

Municipal Infrastructure Grant

Balance unspent at beginning of year	54 837 725	13 014 000	54 837 725	13 014 000
Current-year receipts	28 714 000	74 172 000	28 714 000	74 172 000
Conditions met - transferred to revenue	(287 357)	(12 006 824)	(287 357)	(12 006 824)
Thabazimbi project expenditure	(76 203 230)	(20 341 451)	(76 203 230)	(20 341 451)
	7 061 138	**54 837 725**	**7 061 138**	**54 837 725**

Conditions still to be met - remain liabilities (see note 16).

The grant was received in March 2016 and is to be used to construct infrastructure assets on behalf of Thabazimbi Local Municipality.

Finance Management Grant

Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)

	Group		Municipality	
	2017	2016	2017	2016
21. Government grants and subsidies (continued)				
	-	**-**	**-**	**-**

The grant is utilised and assist with the implementation of the MFMA and compliance with GRAP.

Tourism Grant

Balance unspent at beginning of year	46 660	-	46 660	-
Current-year receipts	-	290 000	-	290 000
Conditions met - transferred to revenue	-	(243 340)	-	(243 340)
	46 660	**46 660**	**46 660**	**46 660**

Conditions still to be met - remain liabilities (see note 16).

The grant is utilised to fund the development of tourism in the district.

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	5 122 026	-	5 122 026	-
Current-year receipts	-	19 227 581	-	19 227 581
Conditions met - transferred to revenue	(2 557 365)	(14 105 555)	(2 557 365)	(14 105 555)
	2 564 661	**5 122 026**	**2 564 661**	**5 122 026**

Conditions still to be met - remain liabilities (see note 16).

Waterberg District municipality has been appointed by the Department of Water and Sanitation as a schedule 6B implementing agent of MWIG projects for 3 local municipalities (Modimole LM, Mookgophong LM and Thabazimbi LM) during the 2015/16 financial year.

Expanded Public Works Incentive Grant

Current-year receipts	1 102 000	1 000 000	1 102 000	1 000 000
Conditions met - transferred to revenue	(943 978)	(1 000 000)	(943 978)	(1 000 000)
	158 022	**-**	**158 022**	**-**

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

LG SETA Grant

The grant is utilised for training of officials in the District Municipality.

Rural Road Asset Management Grant

Current-year receipts	1 897 000	1 839 000	1 897 000	1 839 000
Conditions met - transferred to revenue	(1 897 000)	(1 839 000)	(1 897 000)	(1 839 000)
	-	**-**	**-**	**-**

The grant is utilised to set up a district Road Asset Management System and to collect rural data in line with the Road Infrastructure Strategic Framework for South Africa.

Municipal Infrastructure Grant (PMU)

Balance unspent at beginning of year	-	5 000 000	-	5 000 000
Current-year receipts	5 000 000	-	5 000 000	-

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016
21. Government grants and subsidies (continued)				
Conditions met - transferred to revenue	(5 000 000)	(5 000 000)	(5 000 000)	(5 000 000)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 16).

The grant was received in March 2016 and was used for the establishment of a Project Management Unit for infrastructure projects.

LEDET Biosphere Grant

Balance unspent at beginning of year	200 045	-	200 045	-
Current-year receipts	-	351 667	-	351 667
Conditions met - transferred to revenue	-	(151 622)	-	(151 622)
	200 045	**200 045**	**200 045**	**200 045**

Conditions still to be met - remain liabilities (see note 16).

The grant is to be utilised to fund the operations of the Waterberg Biosphere Meander.

Mayor's Golf Day Grant

Balance unspent at beginning of year	-	40 000	-	40 000
Current-year receipts	-	5 550	-	5 550
Conditions met - transferred to revenue	-	(45 550)	-	(45 550)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 16).

The grant is utilised to partly fund the annual mayoral golf day.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act no.10 of 2014), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

22. Public contributions and donations

Donations	-	50 000	-	50 000

This is contributions from businesses for the LED Summit.

	Group		Municipality	
	2017	2016	2017	2016
23. Employee related costs				
Salaries and wages	46 826 972	40 991 700	46 651 704	40 991 700
Travel and other allowances	9 703 136	8 993 232	9 703 136	8 993 232
Contributions for UIF, pension and medical aid and other statutory contributions	13 302 369	11 771 723	13 302 369	11 771 723
Housing benefits and allowances	2 268 720	2 255 592	2 268 720	2 255 592
Overtime allowances	1 029 141	604 216	1 029 141	604 216
	73 130 338	**64 616 463**	**72 955 070**	**64 616 463**
Remuneration of Municipal Manager				
Annual Remuneration	1 229 930	1 193 209	1 229 930	1 193 209
Car Allowance	-	173 631	-	173 631
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	1 784	15 581	1 784	15 581
Travel allowance	184 048	-	184 048	-
	1 415 762	**1 382 421**	**1 415 762**	**1 382 421**

The Municipal Manager was appointed on 1 July 2014.

Remuneration of Chief Finance Officer				
Annual Remuneration	917 283	253 412	917 283	253 412
Car Allowance	-	60 991	-	60 991
Travel allowances	229 819	-	229 819	-
Contributions to UIF, Medical and Pension Funds	1 784	3 982	1 784	3 982
	1 148 886	**318 385**	**1 148 886**	**318 385**

The previous Chief Financial Officer was appointed from 1 June 2012 and resigned effective 30 June 2015. The new Chief Financial Officer was appointed from 21 January 2016.

Remuneration of Manager: Infrastructure Development				
Annual Remuneration	619 106	706 338	619 106	706 338
Car Allowance	-	211 336	-	211 336
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	150 390	178 004	150 390	178 004
Travel allowance	184 620	-	184 620	-
	954 116	**1 095 678**	**954 116**	**1 095 678**

The Infrastructure Development Manager was appointed from 1 March 2013.

Remuneration of Manager: Planning & Economic Development				
Annual Remuneration	748 215	741 832	748 215	741 832
Car Allowance	-	196 136	-	196 136
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	200 181	196 621	200 181	196 621
Travel allowance	205 162	-	205 162	-
	1 153 558	**1 134 589**	**1 153 558**	**1 134 589**

The Planning & Economic Development Manager was appointed from 1 July 2013.

Remuneration of Manager: Corporate Support and Share Services

	Group		Municipality	
	2017	2016	2017	2016

23. Employee related costs (continued)

Annual Remuneration	866 847	846 763	866 847	846 763
Car Allowance	-	103 762	-	103 762
Contributions to UIF, Medical and Pension Funds	241 578	239 591	241 578	239 591
Other	108 389	-	108 389	-
	1 216 814	**1 190 116**	**1 216 814**	**1 190 116**

The Corporate Support & Shared Services Manager was appointed from 1 March 2013.

Remuneration of Manager: Social Development and Community Services

Annual Remuneration	704 691	746 096	704 691	746 096
Car Allowance	-	161 813	-	161 813
Performance Bonuses	-	-	-	-
Contributions to UIF, Medical and Pension Funds	35 682	39 836	35 682	39 836
Travel allowance	171 395	-	171 395	-
	911 768	**947 745**	**911 768**	**947 745**

The new manager was appointed from 1 August 2014.

Remuneration of Manager: Executive Support Office

Annual Remuneration	557 302	710 138	557 302	710 138
Car Allowance	-	211 539	-	211 539
Contributions to UIF, Medical and Pension Funds	132 611	174 779	132 611	174 779
Travel allowances	166 488	-	166 488	-
	856 401	**1 096 456**	**856 401**	**1 096 456**

The Executive Support Manager was appointed on 1 April 2012.

There are no post-employment benefits, other long-term benefits or termination benefits provided to Section 56 managers.

24. Remuneration of councillors

Executive Major	1 536 183	710 154	1 536 183	710 154
Speaker	-	426 142	-	426 142
Mayoral Committee Members	-	3 382 455	-	3 382 455
Councillors	4 505 026	1 453 466	4 505 026	1 453 466
Councillors' pension contribution	727 639	744 989	727 639	744 989
	6 768 848	**6 717 206**	**6 768 848**	**6 717 206**

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and 3 other Mayoral Committee members are full time councillors. Each is provided with an office, tools of trade and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle for official duties and has a driver.

25. Depreciation and amortisation

Property, plant and equipment	5 994 825	5 823 554	5 994 825	5 823 554
Intangible assets	202 846	187 442	202 846	187 442
	6 197 671	**6 010 996**	**6 197 671**	**6 010 996**

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

26. Impairment of assets

Impairments				
Trade and other receivables	-	164 918	-	164 918

2016: Sundry debtors, Councillors and Employees, in respect of outstanding PAYE as a result of an audit conducted by SARS has been fully impaired.
2015: A sundry debtor, Fire & Emergency has been fully impaired due to the business currently being under Business Rescue in terms of the Companies Act.

The recoverable service amount of the assets is its fair value less costs to sell, determined by reference to an active market.

27. Contracted services

Fire fighting	13 520 885	15 703 090	13 520 885	15 703 090

This is a funded mandate of Waterberg District Municipality which is performed by local municipalities.

28. Project expenditure

Municipal Systems Improvement grant	-	940 000	-	940 000
Municipal Infrastructure grant	287 357	11 984 962	287 357	11 984 962
Finance Management grant	1 250 000	1 250 000	1 250 000	1 250 000
Municipal Water Infrastructure grant	1 325 409	14 105 555	1 325 409	14 105 555
Expanded Public Works Incentive grant	1 102 000	1 000 000	1 102 000	1 000 000
Rual Road Asset Management grant	1 897 000	1 839 000	1 897 000	1 839 000
PMU	5 000 000	5 000 000	5 000 000	5 000 000
	10 861 766	**36 119 517**	**10 861 766**	**36 119 517**

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

29. General expenses

Advertising	188 701	119 706	188 701	119 706
Annual report	266 670	92 500	266 670	92 500
Audit fees	1 702 647	2 284 018	1 702 647	2 284 018
Audit committee	129 388	92 995	129 388	92 995
Bank charges	47 048	78 401	46 214	78 401
Bursaries	76 579	73 112	76 579	73 112
Cleaning	203 276	214 026	203 276	214 026
Conferences and seminars - Delegations	129 422	137 458	129 422	137 458
Community development and training	276 900	224 400	276 900	224 400
Consulting and professional fees	1 104 727	529 327	1 104 727	529 327
Consumables	199 071	143 175	199 071	143 175
Damaged meat claims	10 026	4 104	10 026	4 104
Disaster management	-	277 500	-	277 500
Discretionary Bursary Fund	120 000	100 000	120 000	100 000
Employee Assistance Program	249 286	189 315	249 286	189 315
Entertainment	359 750	482 509	359 750	482 509
Environmental Health - awareness & sampling	34 999	54 886	34 999	54 886
Financial management grant	-	251 554	-	251 554
Insurance	739 998	737 460	739 998	737 460
Meat inspection	198 000	198 000	198 000	198 000
Miscellaneous expenditure	13 318	38 287	13 318	38 287
Motor vehicle expenses	353 213	336 573	353 213	336 573
Municipal account - water, rates & electricity	1 434 759	1 646 445	1 434 759	1 646 445
Postage and courier	1 640	1 316	1 640	1 316
Printing and stationery	536 426	445 347	536 426	445 347
Programming	1 096 810	981 313	1 096 810	981 313
Protective clothing	41 287	51 851	41 287	51 851
Rental of buildings / offices	553 161	508 852	553 161	508 852
Rental of office equipment	492 396	561 389	492 396	561 389
Security cost	1 728 547	1 873 926	1 728 547	1 873 926
State of the District Address	197 602	323 711	197 602	323 711
Subscriptions and membership fees	992 992	795 497	992 992	795 497
Subscription and publication	2 096	4 821	2 096	4 821
Telephone and cell phone expenses	415 480	473 509	415 480	473 509
Training	415 647	281 470	415 647	281 470
Travel and subsistence	4 076 382	3 995 131	4 076 382	3 995 131
	18 388 244	**18 603 884**	**18 387 410**	**18 603 884**

30. Remuneration of Audit Committee members

Remuneration	129 388	92 995	129 388	92 995

3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses. The 3 year term of the audit committee was renewed from 1 October 2014 to 30 September 2017. Four meetings were held during the current year, but the chairperson also attended council meetings.

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016
31. Cash (used in) generated from operations				
Surplus	5 507 811	7 783 279	3 181 912	7 783 279
Adjustments for:				
Depreciation and amortisation	6 197 671	6 010 996	6 197 671	6 010 996
Gain on sale of assets and liabilities	13 940	-	13 940	-
Movements in retirement benefit assets and liabilities	113 070	1 323 079	113 070	1 323 079
Movements in provisions	(165 476)	-	(165 476)	-
Increase in long service awards liability	224 831	343 035	224 831	343 035
Changes in working capital:				
Inventories	(31 239)	34 738	(31 239)	34 738
Consumer debtors	(1 922)	6 663	(1 922)	6 663
Other receivables from non-exchange transactions	(140 333)	347 836	(140 333)	347 836
Payables from exchange transactions	1 392 523	622 966	1 217 255	622 966
Decrease/(Increase) in VAT receivable	3 271 401	(3 461 858)	3 271 518	(3 461 858)
Other payables (non exchange)	1 193 086	1 019 045	1 193 086	1 019 045
Unspent conditional grants and receipts	(49 518 396)	42 059 007	(50 175 930)	42 059 007
Consumer deposits	-	1 400	-	1 400
	(31 943 033)	**56 090 186**	**(35 101 617)**	**56 090 186**
32. Fruitless and wasteful expenditure				
Opening balance	-	1 409	-	1 409
Fruitless and wasteful expenditure - current year	-	28 274	-	28 274
	-	**29 683**	**-**	**29 683**

Prior year:

An audit by SARS revealed that PAYE and skills development levy were incorrectly calculated on fringe benefits and employee costs, the resulting penalties of R 28 274 on the outstanding amount were levied during the current financial year. An objection was raised by the District Municipality to waiver the penalty however this was disallowed by SARS resulting in the payment being made. The matter was investigated and no deliberate or negligent intent was found. The incident is to be reported to Council to be condoned and written off.

33. Irregular expenditure				
Opening balance	12 785 324	4 450 901	12 785 324	4 450 901
Add: Irregular Expenditure - current year	1 755 259	8 334 423	1 755 259	8 334 423
Less: Amounts condoned	(12 785 324)	-	(12 785 324)	-
Less: Amounts recoverable (not condoned)	-	-	-	-
	1 755 259	**12 785 324**	**1 755 259**	**12 785 324**
Analysis of expenditure awaiting condonation				
Current year	1 755 259	8 334 423	1 755 259	8 334 423
Prior years	-	4 450 901	-	4 450 901
	1 755 259	**12 785 324**	**1 755 259**	**12 785 324**

	Group		Municipality	
	2017	2016	2017	2016

33. Irregular expenditure (continued)

Details of irregular expenditure – current year				
Notice board adverts were not done however the municipality did obtain three quotations			141 311	
suppliers were not registered on CSD and database and several efforts have been taken to give them database forms to complete but no response was received.			80 214	
Tax staus of the suppliers were inactive and they were appointed by AON			14 198	
SCM proceedures were not followed due to time constraints			1 245 412	
The supplier was also the organiser of the event therefore SCM proceedures were not followed			150 000	
The immediate qualifying supplier was selected due to the fact that the competing candidates did not submit all the required documents			124 123	
			1 755 258	
Details of irregular expenditure - prior year				
Suppliers' original tax clearance certificate could not be validated by SARS.				1 740 678
Competitive bidding was not followed due urgent required goods.				2 007 120
Service provider is in the service of state.				119 930
Preference points were not calculated on limited bidding procurements above R 30 000.				579 930
Local contents requirements were not considered in applicable tenders and bid results were not published on the WDM website.				1 428 352
Bid specifications requested and bid evaluations was performed on uncertified BBBEE Accreditation certificates.				2 458 413
				8 334 423

34. Unauthorised expenditure

Unauthorised expenditure	-	26 045	-	26 045
Unauthorised expenditure - current year	-	-	-	-
Less: Amounts condoned by Council To be recovered	-	-	-	-
	-	**26 045**	**-**	**26 045**

Current Year:

No unauthorised expenditure were incurred during the current finanancial year.

Prior year:

The Abattoir department overspent by R 26 045 due to an overspending on the budgeted actuarial valuation costs for post-retirement medical aid which increased by more than projected.

Notes to the Financial Statements

	Group		Municipality	
	2017	2016	2017	2016

35. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	845 214	686 741	845 214	686 741
Amount paid - current year	(845 214)	(686 741)	(845 214)	(686 741)
	-	-	-	-

Audit fees

Current year subscription / fee	1 702 647	2 284 018	1 702 647	2 284 018
Amount paid - current year	(1 702 647)	(2 284 018)	(1 702 647)	(2 284 018)
	-	-	-	-

Included in current years expenditure are audit fees for the 2015/16 and 2016/17 financial years:

Audit fees 2016/17 R 1 702 647

Audit fees 2015/16 R 2 284 018

UIF

Current year subscription / fee	444 523	450 673	444 523	450 673
Amount paid - current year	(444 523)	(450 673)	(444 523)	(450 673)
	-	-	-	-

PAYE

Current year subscription / fee	-	12 172 274	12 635 264	12 172 274
Amount paid - current year	-	(12 172 274)	(12 635 264)	(12 172 274)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	19 489 340	17 057 998	19 489 340	17 057 998
Amount paid - current year	(19 489 340)	(17 057 998)	(19 489 340)	(17 057 998)
	-	-	-	-

VAT

VAT receivable	869 461	4 140 862	869 344	4 140 862

All VAT returns have been submitted by the due date throughout the year.

	Group		Municipality	
	2017	2016	2017	2016

35. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

In terms of section 36 of the Municipal Supply Chain Management Regulations, the Municipal Manager may dispense with the official procurement process in certain instances and ratify minor breaches. Any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

These expenses incurred, approved by the Municipal Manager and reported to Council, are listed below:

Incident				
Deviations on goods and services less than R 30 000	89 535	539 013	89 535	539 013
Deviations on goods and services between R 30 000 and R 200 000	1 092 586	3 665 143	1 092 586	3 665 143
Deviations on goods and services more than R 200 000	573 136	5 390 526	573 136	5 390 526
	1 755 257	**9 594 682**	**1 755 257**	**9 594 682**
Incident				
Urgent and emergency procurement	963 520	2 572 228	963 520	2 572 228
Limited bidding procurement	791 737	6 555 146	791 737	6 555 146
Minor breaches	-	467 308	-	467 308
	1 755 257	**9 594 682**	**1 755 257**	**9 594 682**

	Group		Municipality	
	2017	2016	2017	2016

36. Commitments

Commitments are stated inclusive of VAT.

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	1 000 000	-	1 000 000	-
• Infrastructure projects	10 871 745	59 163 459	10 871 745	59 163 459
	11 871 745	**59 163 459**	**11 871 745**	**59 163 459**
Total capital commitments				
Already contracted for but not provided for	11 871 745	59 163 459	11 871 745	59 163 459

Authorised operational expenditure

Already contracted for but not provided for				
• EPWP Project	158 022	-	158 022	-
• WEDA	230 000	-	230 000	-
• SPLUMA	624 000	-	624 000	-
• Tourism and SMME	106 900	46 660	106 900	46 660
	1 118 922	**46 660**	**1 118 922**	**46 660**
Total operational commitments				
Already contracted for but not provided for	1 118 922	46 660	1 118 922	46 660

Total commitments

Total commitments				
Authorised capital expenditure	11 871 745	59 163 459	11 871 745	59 163 459
Authorised operational expenditure	1 118 922	46 660	1 118 922	46 660
	12 990 667	**59 210 119**	**12 990 667**	**59 210 119**

The capital commitments relates to capital projects and will be financed from grants received.

The operational commitments will be financed from own resources and donations.

The municipality has entered into a 5 year contract with ABSA Bank for the provision of banking services commencing on 1 July 2015. Normal banking charges will be incurred under the contract and does not include an overdraft facility.

Commitments in respect of leases

The municipality has no finance leases. At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Operating leases - as lessee

Minimum lease payments due				
- within one year	-	861 610	-	861 610

Operating lease payments represent rentals payable by the group photocopiers and office space in Mokopane and Thabazimbi for environmental health practitioners.

The lease agreement for office equipment expired on 28 February 2017.

All rentals are either fixed term fixed amount contracts or contingent rentals and therefore no smoothing of leases is necessary.

	Group		Municipality	
	2017	2016	2017	2016

37. Contingent liabilities

	2017	2016
The following are legal cases pending at year end and the potential liability thereof:		
Mohale Incorporated - defend action against breach of contract Alleged contract breach with Limpopo Business Support Aagency (LIBSA) due to not meeting reporting requirement.	1 800 000	1 800 000
Mohale Incorporated - defend action against unfair labour practice SAMWU obo J Mashamaite and others regarding reasonable expectations. Due to the nature and complexity of the case, financial exposure cannot be determined.	-	-

38. Related parties

Relationships

Municipality	
Controlled entities	Refer to note 23
Joint ventures	Refer to note 24

Related party transactions

There are no other related party transactions or balances for the current year. Waterberg Economic Development Agency (WEDA) is currently dormant. Waterberg District Municipality incurred expenditure for the establishment of WEDA and also subsequently appoint board members for the agency.

The district municipality provides support to the local municipalities in the district. Fire fighting is a funded mandate of Water District Municipality which is performed by local municipalities.

39. Risk management

39.1 Financial risk management

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

39.2 Liquidity risk

The group’s risk to liquidity is a result of the funds available to cover future commitments. The group's strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Municipality

At 30 June 2017	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	3 876 476	-	-	-
Consumer deposits	-	-	2 000	-

39. Risk management (continued)

39.3 Market risk

39.3.1 Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No.56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

39.3.2 Fair value of financial instruments

At year end the carrying amounts of cash and short-term deposits, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

39.3.3 Cash flow interest rate risk

The municipality's interest rate risk arises from investments. Investments at variable rates expose the municipality to cash flow interest rate risk. Investments at fixed rates expose the municipality to fair value interest rate risk. The municipal policy is to not invest more than 35% of funds with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are fixed rate investments.

At year-end, financial instruments exposed to interest rate risk were as follows:

Financial instrument	Group - 2017	Group - 2016	Municipality - 2017	Municipality - 2016
ABSA Bank current account	3 158 583	-	-	-
ABSA Bank current account	6 229 984	5 825 786	6 229 984	5 825 786
Call deposits	8 096 651	26 054 159	8 096 651	26 054 159
60 Days fixed deposits	2 102 608	10 049 315	21 102 608	10 049 315
90 Days fixed deposits	59 356 473	94 279 544	59 356 473	94 279 544
6 Month fixed deposits	36 178 093	30 116 436	36 178 093	30 116 436

40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

We draw attention to the fact that at 30 June 2017, the municipality had accumulated surplus of R 137 179 563 and that the municipality's total assets exceed its liabilities by R 137 179 563.

The municipality will continue to honour its financial obligations and strive to maintain its assets, and will therefore continue to exist within the foreseable future, as a going concern.

41. Events after the reporting date

There are no material events that occurred after the reporting date.

42. In-kind donations and assistance

The Municipality did not receive any in-kind donations and assistance during the financial year.